

Message Text

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TAGS: EFIN, PGOV, IT

SUBJECT: AMBASSADOR'S MEETINGS WITH LA MALFA AND VISENTINI

1. SUMMARY. AMBASSADOR VOLPE CALLED ON DEPUTY PRIME MINISTER LA MALFA ON JANUARY 9 AND ON MINISTER OF FINANCE VISENTINI ON JANUARY 10. BOTH WERE RATHER PESSIMISTIC ABOUT EFFECTS OF OIL CRISIS ON INDUSTRIAL WORLD AND SYMPATHETIC WITH SECRETARY KISSINGER'S COMMENTS IN "BUSINESS WEEK" INTERVIEW. VISENTINI DISCUSSED ITALIAN BUDGET SITUATION AND TAX REFORM AND LA MALFA ALSO GAVE VIEWS ON SOME POLITICAL QUESTIONS. END SUMMARY.

2. DURING COURTESY CALLS ON DEPUTY PRIME MINISTER UGO LA MALFA AND MINISTER OF FINANCE BRUNO VISENTINI, BOTH OF ITALIAN REPUBLICAN PARTY, AMBASSADOR VOLPE CONGRATULATED TWO MINISTERS ON SELECTION OF VISENTINI AS FINANCE MINISTER IN VIEW OF VISENTINI'S TECHNICAL COMPETENCE IN TAX FIELD. LA MALFA TOLD THE AMBASSADOR THAT HIS OWN ROLE AS DEPUTY PRIME MINISTER WAS NOT CLEAR BUT THAT HE MIGHT UNDERTAKE A COORDINATING ROLE, PARTICULARLY IN FINANCIAL AREA.

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3. BOTH LA MALFA, IN TYPICAL FASHION, AND VISENTINI WERE

QUITE PESSIMISTIC ABOUT ULTIMATE EFFECTS ON INDUSTRIAL COUNTRIES OF HIGH PRICE OF PETROLEUM. VISENTINI FEARED CRISIS COULD EVEN LEAD TO CLOSED ECONOMIES AND THREAT OF COMMUNIST TAKE-OVER. BOTH FOREWAS NEED FOR STRONG LEADERSHIP ROLE BY UNITED STATES. LA MALFA PRAISED SECRETARY KISSINGER'S COMMENTS IN "BUSINESS WEEK" INTERVIEW.

4. MINISTER VISENTINI SAW IMPROVEMENT IN ITALIAN BALANCE OF PAYMENTS, BUT IMPROVEMENT WAS PARTLY DUE TO ECONOMIC DOWNTURN. HE ALSO DETECTED SOMEWHAT MORE MODERATE POSITION TAKEN BY LABOR UNIONS. HOWEVER, LA MALFA WAS PESSIMISTIC ABOUT STRENGTH OF SOCIALIST OUTSIDE SUPPORT FOR GOVERNMENT, PARTICULARLY IN MODERATING LABOR DEMANDS.

5. VISENTINI THOUGHT THAT ITALIAN TAX REFORM WAS WORKING OUT REASONABLY WELL, ALTHOUGH THERE WAS NEED TO RESTRUCTURE AND MODERNIZE TAX COLLECTION ADMINISTRATION. HE BELIEVED THAT SHIFT IN PRIORITIES FOR PUBLIC EXPENDITURES TO AVOID WASTE WAS MORE IMPORTANT THAN SPECIAL PUBLIC WORKS PROGRAM AS ANTICYCLICAL DEVICE.

6. ON POLITICAL SIDE, LA MALFA FOREWAS SUBSTANTIAL SOCIALIST GAINS IN REGIONAL ELECTIONS, PRIVATE RELUCTANCE BY SOCIALISTS TO ACCEPT GREATER COMMUNIST VOICE IN GOVERNMENT AND NEED FOR DC PARTY TO PULL ITSELF TOGETHER. VOLPE

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